

**CLIENTS OF ISLAMIC AND CONVENTIONAL BANKS
IN SRI LANKA: HOW THEY CHOOSE?**

INDEX NO: IB0007

**Dissertation Submitted to the Department of the Islamic Studies,
Faculty of Islamic Studies and Arabic Language of the South Eastern
University of Sri Lanka in particular fulfillment of the requirement
for the award of the degree of Bachelor of Arts, Special in Islamic
Banking and Finance.**

**Department of Islamic studies
Faculty of Islamic studies and Arabic Language
South Eastern University of Sri Lanka**

Oluvil

ABSTRACT

Islamic banking is an investment and financing concept which expands globally. People are becoming more aware of the Islamic banks. Islamic banking is different from conventional banking in most aspects, since its close tie to religion is very important. The connections to politics and history have influenced the implementation of the Islamic banking system in the countries where the system operates.

The purpose of this research is to report a study into; identify the bank selection criteria used by clients of bank Sri Lanka to choose a specific bank; the level of familiarity of customers with the most widely used services/products offered by Islamic banks; and the extent of use of products and satisfied level of clients with both Islamic and conventional banks. This is the first study conducted in Sri Lanka to include three types of bank clients; those who bank with conventional banks, those who bank with Islamic banks, and who use both kinds of banks. The results are based on a response rate of 99 percent from 200 questionnaires distributed. Descriptive statistics and MS-Excel used to analysis the responses.

The clients of Islamic banks are more familiar with the product/services that conform to the Sharia'a. Overall, for who bank exclusively with Islamic banks and for those who bank in different kinds of banks, the most widely used product/service of Islamic banks is *Mudarabah*. The clients are more highly satisfied with Islamic bank product/service except ATM service and location near home or work. Respondents are also expressed the views that their satisfaction with conventional banks product/services except fulfillment of religious obligation, Islamic working environment, Provision of Islamic product and service and Lower service charge. Hence, it can be concluded that the Muslims prefer the Islamic banks than conventional banks due to religion.